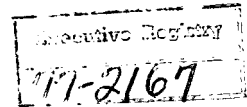


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24 AUG 1977

MEMORANDUM FOR: Acting Deputy Director of Central Intelligence
Acting Deputy to the DCI
for the Intelligence Community
Deputy to the DCI for National Intelligence
Deputy Director for Intelligence, CIA
Director of Performance Evaluation and Improvement, ICS

[Redacted]

25x1

FROM: Director of Central Intelligence

SUBJECT: Structure of the Intelligence Community

1. The attached memorandum on the structure of the Intelligence Community has a number of very challenging ideas. I wanted to share this with you as we go forward on the final details of our reorganization plan.

2. Some of the things that I would particularly like to pay attention to from this memo are:

a. Whether we need a specific "marketing" mechanism. If so, whether it should be under the Vice President for Production or elsewhere.

[Redacted]

25x1

c. With the billets being transferred over the next two years from DDO to DDI, I would hope we could overcome the complaint about lateral entry.

25x1

d. I'm counting on [Redacted] to help us reduce the complaint on lack of contact with major research centers, think tanks, and universities.

25x1

[Redacted]

MORI/CDF
Pages
17-20 & 23-27

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2

e. I'd appreciate a very brief report from Sayre Stevens and Les Dirks on how much R&D is actually being done in support of analysis today.

f. With respect to the suggestion that we have a staff unit under Production to analyze the management and strategy of our analytic program and how well it is doing, I hope Bob and Sayre will look carefully at this in the instruction of the new NIO/DDI organization.

g. With regard to the accusation that we have unnecessary layering in DDI, I'd appreciate it if Sayre Stevens would come in and explain to me the organizational substructure and the amount of layering that does exist and what alternatives were looked at when DDI was restructured by the recent study.

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h. With respect to the suggestion to split DDO and DDI, I'd appreciate it if Jack Blake would take a look at whether that can be done with justice to the individuals and their various rights and benefits. Can DDA be placed directly under the DCI, for instance, and provide all that support to everyone in the intelligence community who needs it.


STANSFIELD TURNER

Attachment

cc: DDS&T

~~CONFIDENTIAL~~

9 June 1977

SUBJECT: An Order of Magnitude Improvement in Intelligence

This memo addresses two questions: (1) Why the products of the Community -- and in particular the CIA -- are shallower, more often wrong, much less relevant than consumers need and can reasonably expect, and (2) What a determined Director might do to achieve an order of magnitude improvement in the quality of estimates and analyses used in policy-making.

I. THE SHAPE OF THE PROBLEM

For over a decade, careful reviews of the intelligence Community's performance have been unanimous: The U.S. government is not being well served by present capabilities and procedures.

-- Repeatedly, Presidents, Secretaries of State, Defense and Treasury, and their associates have not understood why foreign governments were taking certain actions, have acted on the basis of poor bets about the actions of potential enemies or allies, and have formulated actions aimed at one objective that in fact produced counter-productive reactions from foreign governments.

-- Repeatedly, new appointees have been shocked to find that the level of understanding embodied in intelligence products (for example, on issues like Brazil's interest in nuclear weapons) is not substantially deeper than what is available in the open literature.

-- Repeatedly, reviews of the Community's current intelligence reporting have found that it is not significantly better than the best available current newspaper reporting (for example, certain German and Swiss papers reporting of Yugoslavia, vs. the Community).

Put simply, the key problems are three:

(2) Low-Quality Analysis: While the Community includes a number of remarkable analysts, and while performance differs from country to country, on balance, the analytic product is poor: poor on average as compared to the best examples produced within the Community; poor in comparison to the best analysis produced outside; poor in comparison to reasonable expectations. In theory, the Community's distinctive depth of understanding of foreign developments should give its estimates and analyses great authority in forming policy-making. In fact, the Community's products lack such authority because they embody much shallower understanding, only thinly veiled by the high levels of abstraction of which analysis proceeds. Moreover, Community products avoid predictions, hazarding bets only in Delphic form, less they run the risk of losing.



Improving this performance should be a matter of high national priority: the nation needs the best intelligence the country can command.

The causes of the Community's poor performance are not hard to discover. Indeed, they appear rather starkly -- if somewhat in caricature -- when one approaches the Community as if it were a business firm producing

intelligence products. While the Community is obviously not a business firm, examining it as if it were, highlights in bold, exaggerated form a number of central attributes. While the products of the Community include action as well as intelligence, focusing on one product line can be instructive.

The standard Harvard Business School exercise starts by characterizing the "strategy" of a firm in a single declarative sentence. For example, General Motors markets internal combustion engines in flashy folding metal containers. In these terms, the Community collects (ingeniously) and packages (routinely) hard new facts in lengthy, all-purpose written formats that emphasize description and hedge inference and prediction against any possibility of being wrong.

More specifically, this "firm" is:

- schizophrenic about its mission;
- dominated collectively by the collection "division";
- complacent about the production "division's" treadmill  technology;
- divided about R and D: gung ho collection; negative for analysis; 
- lacking a marketing division;
- loosely managed;
- shielded from external pressure.

Each of these features deserves a paragraph of elaboration.

(1) Schizophrenic about its Mission. In doctrine, the Community aspires "to provide a comprehensive basis for high level decision." In fact, the Community operates day-to-day as a purveyor of special information: hard, timely news, with limited inferences, little analysis, and no context within which to interpret hot flashes.* Moreover, the gap between an aspiration and performance is exaggerated by practices that leave the Community generally ignorant about ways in which its products contribute to higher level decision

*A third competing conception of the agency's mission is operational -- in line with Marx's injunction that the point is not to understand the world, but to change it. This memo concentrates on the activity of the Community aimed at understanding the world.

processes and that reflect a seeming commitment to maintain a posture of ignorance about specific policy-makers' views of problems (and consequently of the likely impact of particular products).

- o Thus, the Community's energies, attentions and efforts concentrate on improving the timeliness of current intelligence's day-to-day description of the immediate.
- o The Community rarely reflects on the relative contribution of its products vis-a-vis other sources (personal contacts with foreign leaders, newspapers, etc.) in informing principal decision-makers -- and has no clear view of the Community's comparative advantage.
- o The Community persists in providing all-purpose products without reference to the time pressures under which top policy-makers operate (and thus, for example, the importance of crisp executive summaries) or the impact of attention-forcing events in allocating principals' reading time.
- o The Community regularly fails to appreciate big differences between its assumptions and the assumptions of particular top policy-makers, for example, on the utility of military force in influencing foreign governments. For example: the use of a carrier task force in the Indo-Pac crisis of 1971.
- o The Community refuses to recognize that decision-makers facing substantial uncertainty prefer personal interaction with individuals whom they know and have calibrated, rather than anonymous products they can read passively.

(2) Dominated Collectively by the Collection "Division." All indication of effort and attention -- budgets, number of people, grade levels, promotion patterns -- points to a single conclusion: the Collection Division dominates the firm and its several divisions. In this respect, the Community resembles some firms in extractive industries where the division that explores for and mines the minerals runs the company.* The various branches of clandestine collection -- CIA Clandestine, NSA, NOR, etc. -- are innovative,

*Again, this memo focuses to the Community's intelligence, as against its operational activities. Overall, many observers would argue that clandestine activities dominate the firm.

inventive, competitive, duplicative, expensive, wasteful, and remarkable, sometimes to the point of being magical. Clandestine collection pervades the "sociology" of the CIA.

- o The fact that the top management of the Agency has traditionally been drawn almost exclusively from the clandestine services limits analysts' expectations, and reinforces the prevailing judgment about the importance of analysis.
- ✓✓ o The practice of drawing top management from the collection division has encouraged the belief that the answer to hard questions will be found in collection, and reinforce the excessive reliance on raw data vs. thought and analysis.
- o The location of the analysis "division" within an organization dominated by the clandestine services discourages the recruitment of some first-rate analysts, limits the utilization of outside analysts, and inhibits the development of a high morale analysis division.
- o Dominance of the Agency by the clandestine services creates special security concerns about sources and methods that present both good and bad reasons for shielding the agency from the outside review.
- o The predominance of the clandestine services in the agency constrains the career patterns possible for employees, in particular lateral entry and exit would create closer links between the agency and think tanks and universities.

(3) Complacent about the Production "Division's" Treadmill Technology. The analytic "technology" of Production Division has remained essentially static for the last three decades. Again, in this respect, the Community resembles a firm in the coal or potassium business, satisfied with a particular technology for extracting the mineral of value, and not particularly interested in finding new ways of extracting more value from the available ore. In fact, the Community generally lumps both the technical and the mental processes between collection and dissemination under a single label: production. The technical processes are very advanced; the intellectual retarded. Individuals in the production division believe that analysis is an arcane art, learned only by lengthy apprenticeship in that division. The rest of the organization's tolerance of the production division's performance reflects its view that there is little value added to the firm's product in that stage of the process.

- o There is no regular practice of evaluating performance on the basis of accuracy of predictions or quality of analysis, or rewarding distinguished performance or punishing poor.
- o There is no structured competition in analysis but instead a powerful drive for consensus (extending even to the search for a formulation of the question that permits an answer to which all parties can agree); there is a powerful drive to hedge against demonstrable error supported by an editorial process that carefully guards language in circumlocutions that provide a defense to hide behind no matter what happens.
- o The division makes no investment in human capital, except for occasional courses in FORTRAN or the like.
- o The analysis branch has no career track for expert analysts; expert junior analysts advance only to management ranks which, because of the practice of over-layering, are separated by many levels from any analysis of raw data.
- o The analysis branch's personnel policies do not develop a cadre of analysts with deep understanding of countries or issues. (For example, a study of the agency's performance and capabilities for analyzing developments in Yugoslavia found that the producers of estimates and analyses had spent an average of 41.75 years examining that country.)
- ? o There is no lateral entry in ranks of analysts.
- o The analysis division maintains few connections with major centers of research and analysis outside the Community, in universities and think tanks, where creative work goes forward.
- o The analysis division sponsors very little R&D in new and better methods of analysis. Indeed, the incentives discourage deviation from established production units.
- o The analysis division's practices lag by a decade developments outside the Community that could be useful in answering important questions, e.g., organizational analysis of branches of the Soviet military or design labs in Soviet weapons development.

Overseas assignments

- o The analysis division attempts to cope with the overload of new information from collection by technical improvements in the speed and format of packaging and repackaging its traditional analytic products.

(4) Divided about R&D: Gung Ho for Collection; Negative for Analysis. The Community has a big budget for R&D to advance technological collection. It also has well developed processes, and an extensive network for contracting. In contrast, the Community invests puny amounts, has poor procedures, and essentially no contracting network for R&D to advance analysis. The Community's technical capability in collection surpass those of its external competitors: photography, satellites, information storage, processing, and retrieval, etc. Indeed, the Community has played an important role in advancing these technologies. In contrast, the Community's capabilities in analysis lag developments in universities and think tanks, and the Community has played no important role in advancing the state of the art of understanding foreign governments.

(5) Lacking a Marketing Division. In business, marketing presents a dual problem: (1) packaging the output of the production division in forms that attract consumers, and (2) assessing markets to identify consumers' wants and the firm's comparative advantage in production/marketing. The Community lacks and needs both. In its ability to survive without such a function, the Community is like a firm that has an assured market or a long-term contract for all the output it can produce.

- o The Community has no regular process for assessing consumers habits, interests and needs. Thus it persists in the illusion that NIEs are written for the President in spite of the fact Presidents do not read NIEs but instead sometimes read their own staff's summary. It continues to write as if consumers read the whole document; in fact, they rarely read more than a summary. It persists in producing documents on its own timetable. with little sensitivity to attention-forcing events on consumers' calendars. The procedures for soliciting from consumers clear guidelines about their interests are poor; for collecting their evaluation of the product even poorer.
- o The Community has no regular process for assessing the contribution of the Community's product to ongoing decision-making processes in current day-to-day operations, in top-level decision-making, or in event-driven situations.

- o The Community has no regular process for assessing the principal consumer's view of problems and thus persists in packaging materials on the basis of assumptions that differ substantially from those of their readers.
- o The Community is slow to experiment with different communications techniques, e.g., Bayesian methods of presenting uncertainty, or presentation in forms other than the printed page (for example, a five-minute motion picture on the build-up and redeployment of Soviet and Chinese forces since 1965.).

(6) Loosely Managed. The Community resembles a conglomerate with a weak central management. In addition, each of the divisions is driven primarily by its internal professional cadre. As a consequence, the Community largely lacks what business calls "central management functions:" an explicit strategy, a regular capability for evaluating performance, analyzing practices of units, attending to structure and the personnel system, etc.

- o The strategy of the Community, summarized above, is the consequence of other activities, not the conscious choice of its leadership.
- o The absence of internal quality control, regular performance reviews, studies of the behavioral characteristics of the units of the firm, etc., reflect this absence.
- o No central body has the authority or the means to address issues related to the structure of the Community, or of its units.
- o No central authority concerns itself with the Community's system for recruiting, training, socializing and rewarding personnel.

(7) Shielded from External Pressure. A final feature of the Community is its encapsulation in a thick protective shell against outside pressure. It does not face a market and thus must function without the benefit of market signals. It has few external relations and thus little opportunity for external review or critique. Consumer reviews are similarly limited. Consequently the Community persists in patterns largely driven by internal factors.

We must reiterate the Community is not a business firm. Characterizing it as if it were courts caricature. But this caricature dramatizes the extent to which the Community is not presently structured, managed, or motivated to produce high-quality analysis and estimates.

III. STRANDS IN A STRATEGY AIMED AT AN ORDER OF MAGNITUDE IMPROVEMENT IN THE INTELLIGENCE PRODUCT.

Targets for change are suggested by the diagnosis above.

A. Mission

-- Make the production of first-class intelligence THE mission of the intelligence Community. Articulate as the central goal of the Community the production of relevant, authoritative estimates and analyses -- products embodying deep understanding, applying the most powerful tools of analysis, and exploiting all collectable information.

B. Management

-- The DCI's responsibilities extend beyond analysis. Historically, the oversight of operations and the attempt to exercise some general influence over various branches of the Community have consumed 90% of the Director's time and energy. As a consequence, no Director has devoted sustained attention to the job of building an organization dedicated to excellence in analysis.

-- The first task of managing a more effective analytic effort is to find a leader who by intellect, temperament, and independence embodies the virtues of first-class intelligence. He should personally serve as a model for the Community in his demand for excellence, his unwillingness to tolerate second-rate work, his commitment to follow the evidence wherever it leads (especially when the conclusions appear uncomfortable for conventional wisdom or present policy), his determination to present good products forcefully, and his readiness to be held accountable for the work he presents.

-- To succeed, this individual will not only have to be an analyst par excellence. He will also require real management skill and a deep commitment to the managerial challenge of delivering on the promise of first-rate analysis. (Because of competing claims, this role as "Chief Producer" is probably incompatible with the role of "Chief Manager" of the Community.)

-- The other key components of management include a staff unit dedicated to continuing analysis of the management problem, an explicit strategy for change, a capacity to track progress and follow through, and procedures for

monitoring performance, keeping track records, identifying exemplary products, developing standards, etc.

C. Production

-- Some close observers of present performance, procedures, and personnel despair of the possibility of achieving much improvement in analysis starting from the present base. They propose dismantling the existing base and starting over, essentially from scratch. Such radical surgery may be the best strategy. Recognizing the costs as well as the risks inherent in such a course, however, we start with a more conservative tack.

-- Taking the present DDI as a starting point, the key tasks for the short run are five:

1. Demonstrating the possibility of much more authoritative and useful analysis and estimates. One cannot casually dismiss the point made by some apologists for the Community's present performance: namely, that developments in the international arena are so uncertain and the problems of analysis so hard that no significant improvement in analysis and estimates is possible. One extreme form of this argument recapitulates the random walk theory of the stock market: because international developments are essentially a random walk, all models and methods will do equally badly in the long run. Without denying the inherent difficulty of analysis of events abroad, we do proceed from a different assumption: namely, that some present analysts and forecasters perform significantly better than the Community's average and that those who do better have insights and understanding the average analyst lacks. The first task, therefore, is to identify the better analysts, study what they do, and make explicit and open for examination/critique/replication what they normally leave implicit. Various "demonstration projects" have been suggested (see Allison's Murphy Commission proposal). The critical components are a central management unit that formulates a series of important bettable propositions and keeps track records, a number of competitive panels formulating explicit predictions and making plain the analytic basis for their bets, and a sustained effort to make explicit, more systematic, and more precise the best instincts and judgments now being used by experts and "wise men" both inside

and outside the Community. (this is distinct from the development of new methods, discussed below, where snake oil salesmen become a larger risk.)

2. Harnessing more of the talent of the nation to the task of improved understanding and analysis of international developments.

- o It is difficult to identify many problems of greater national priority in the decades ahead than that of having the highest possible quality intelligence. Yet the array of factors outlined above conspire to give us less than the best. This condition is exacerbated by the last several years of revelations of illegal and repugnant activities by the Community. Establishing effective working relations between intelligence analysts on the one hand, and universities, think tanks, businessmen and journalists on the other, poses a challenge of the first order. At least one of us believes that not much progress is likely without radical surgery -- of which more below. Important complementary steps include allowing more lateral entry into the Community of analysts of demonstrated competence and the contracting out of more work as a means of developing new approaches and increasing intellectual competition.

3. Develop a personnel system to support analysis.

- o At bottom, performance is a question of people: their recruitment, socialization, training, rewards, exit, and career paths. The present personnel system is not designed to support analysis. Revamping the personnel system of an existing organization means changing beliefs, habits, procedures, formats -- basic forms of life of most members of the organization. Again, the Community faces a stiff challenge: to recruit individuals with stronger analytic abilities (which would mean broader search and a wider set of entry level jobs); to socialize them to the highest standards of excellence in analysis (which would mean examples of first-rate analysis, role models, the development of an elan among analysts, etc.); to train them through their career in the best available methods (which would mean both more use of university programs and creation of internal

programs); to evaluate performance, reward good analysts, and weed out others (which would mean developing standards for quality as well as quantity); to provide attractive careers for analysts as analysts (which would mean creating slots up to GS-18 for analysts as well as administrators).

4. Reduce layering.

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- o All observers of the agency comment on the excessive number of layers between the consumers and the analysts who actually examine the data. A normal request goes from the consumer, for example, the NSC staff, to an NIO who passes it on to an Office Chief who gives it to a Division Chief who transmits it to the Branch Chief who gives the assignment to the analysts. The request usually comes in the form of a phone call. Recall the mathematics of the children's game called "rumor" in which individuals pass a message from one to another. If each transaction succeeds in communicating 90% of the original puzzle, the analyst will understand less than half the original concern. Moreover, since the original concern is often ill-formulated or ill-expressed, the likelihood that the memo produced by the analyst will in fact answer the original question becomes even slimmer. While communication between the analysts and the originator is not excluded by law, it is by practice.
 - o Excessive layering lowers morale and supports an overly bureaucratic style.

5. Promote R&D in analysis.

- o Wary of salesmen bearing snake oil, the agency should nonetheless promote R&D in analysis. It should establish a relationship with one or more RAND-like institutions for R&D. Along the lines of the original Air Force contract with RAND, the agency should support the establishment of a general capability, and not hope for much from narrow, short-term contracts. Again, we have an agenda of areas ripe for R&D and even some more specific suggestions about where some of the work might be done. ✓

These five tasks take the present DDI as the starting point. It is possible, however, to think more boldly. Off and on, sometimes more realistically and sometimes less, we discuss a dream -- a dream in which there has somehow been created a precious national asset: a really first-class, high-morale capability in analyzing foreign developments. This capability would target the 25-50 key countries and problems for the U.S. in the decades ahead. For each country, the organization would assemble a team of 20 of the best minds in the nation and challenge them to develop a deep understanding of developments and decision-making in that country. The organization would create rewarding career paths in which individual analysts could be expected to work for decades on a set of problems, becoming the most expert people in the nation on their topic. By committing this much talent and energy systematically to the task of understanding foreign governments, this organization would substantially advance the state of the art of analyzing international developments, substantially improve the U.S. government's ability to make bets about future events, and substantially increase the government's understanding as a basis for evaluating U.S. initiatives aimed at inducing particular responses from foreign governments.

A dream of this kind lies behind the recommendation made by one of us in print that CIA be split and a new agency created for analysis and estimates. A new agency, created as a national priority and entirely separate from the clandestine services, would have a real shot at mobilizing the talent, creating the career paths, and establishing the network of external relations necessary for success.

While this discussion of production has focused on CIA, the same kinds of recommendations could be made for DIA or even INR. One final point should be made about the larger community: nothing raises the quality of analytic work so powerfully as well-structured competition. Moreover, in contrast to collection, analysis is cheap. Whatever stronger analytic capability is built at CIA or in a separate agency will benefit from competing analytic capabilities at DIA and INR -- if their capabilities are strengthened. A major effort is needed to increase the intellectual competition by building up DIA and INR, and by the design of the Community estimation processes. Similarly, major intelligence consumers should be encouraged to create their own small analytic and estimating staffs, along the lines, for example, of the Net Assessment group that reports to the Secretary of Defense. These staffs would give policy-level officials an opportunity to pose

and repose questions of special interest and to receive answers from analysts whose performance they can reward or penalize. In addition, contract efforts can be used to increase competition in analysis, indeed may be a very important way of doing so.

D. Marketing

-- It is possible to argue that the most important cause of the Community's disappointing performance lies with consumers rather than producers. Consumers fail to ask sharp questions, to express their interests and needs, to demand a higher quality product. Certainly, there are big problems on the consumer side and in the relationship between consumers and producers. Ultimately the responsibility lies with the Community to study and understand the needs of its customers and the complex set of markets it serves. There exist people who do this sort of thing for businesses who could provide valuable advice on how to do this.

-- Developing a right relationship between analysts and policy-makers will require great care. The chief intelligence producer and a number of his associates should regularly be in contact with top policy-makers, reviewing their interests and needs. This interaction should be structured, however, to maintain the analysts independence.

-- Other tasks in developing a marketing function include: mechanisms for educating analysts about the process to which their product contributes; mechanisms for assessing and registering consumer's views and needs; a policy of more aggressive marketing of intelligence products; a charge to experiment with alternative forms of presentation.

IV. ONE PLAN OF ACTION

(To be filled in after discussion, if desired.)

Exec AD Adm. Registry
17-2167/3

21 SEP 1977

MEMORANDUM FOR: Director of Central Intelligence

FROM : John F. Blake
Acting Deputy Director
of Central Intelligence

SUBJECT : Interface Between NIO/DDI and DDO

REFERENCE : DCI Memorandum of 24 August, subject: Structure
of the Intelligence Community

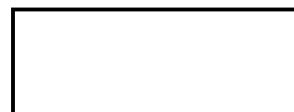
1. In response to your request in paragraph 2.h of referent memorandum, I would respectfully suggest that a great deal more is involved in any proposal "to split DDO and DDI" than the question of whether the employees of both directorates could continue to enjoy the same rights and benefits they currently are entitled to as employees of the CIA. Under the appropriate legislation, if Congress was willing to go along, we could undoubtedly provide for continuation of rights and benefits but the more fundamental question is whether it is to our advantage to place any more institutional distance between the two directorates than already exists.

2. For more than a decade, the top management of the Agency has been trying with some success to ~~reduce the barriers to communication~~ between DDI and DDO. We have tried to encourage a close relationship at the working level between the geographical branch chiefs in DDO and their counterpart analysts in DDI in the belief that both the finished intelligence product and the effective exploitation of agent sources will benefit as a result. Our reasons for doing so are as follows:

a. Accurate Evaluation by Analysts of the Reliability and Access of Human Sources

Although DDI analysts cannot be given the identity of agents, close daily relationships between analysts and DDO

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branch chiefs and reports officers do give the analyst over time an accurate perception of the degree of confidence he can place in individual agents. This factor becomes of particular importance during times of approaching crisis when the analyst must sort through a welter of conflicting raw reports in the effort to predict the course of events. Only the closest possible interface between analyst and collector can reduce the danger of costly errors in the evaluation of clandestine reporting. Any institutional change that impairs this working level cooperation by physical separation or by requiring coordination through lengthy chains of command can only damage our ability to anticipate future crises.

b. Effective Exploitation of Agents

Once an agent has been recruited with access to significant intelligence, we have found that close coordination between DDO and DDI at the working level can improve the quality of the reporting and also help to confirm the degree of access claimed by the agent. Again, the analyst is not given the identity of the agent but he can and does suggest fruitful areas for additional interrogation and the research base available to the analyst tends to confirm or question the agent's reliability. Close interface at the working level is essential for this process to work effectively.

c. Improvement of DDO Reporting

We have found that when an agent is reporting on a complex economic or scientific topic, the text of the DDO report that is disseminated to the community can profit substantially from the input of DDI experts. Again, close working level cooperation is required to insure this result.

d. More Accurate Perception by DDO Branch Chiefs of Consumer Needs

Just as the DDI analyst must have continuing access to the policy making consumer in order to refine his product to fit the perceived needs, so the DDO reports officer must have from the DDI analyst a detailed and specific reflection of those needs in order to refine and make more specific the questions that are posed to the agent in the field by his case officer. Again, close interface and a minimum of institutional barriers are the solution to this problem.

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e. Contribution of DDO Station Chiefs to Finished Intelligence

On many occasions, the DDI has asked for the evaluation by Station Chiefs of political developments in their host countries, due to their intimate knowledge of the local scene. These assessments have significantly contributed to the finished intelligence product and are another example of the interaction between DDO and DDI that must be preserved. Similarly, DDO case officers who handle high level agents in foreign governments are relied upon by analysts for their detailed knowledge of the decision making process.

f. Need for Close Cooperation Between DDI and DDS&T

Since OWI and OSI have been transferred to DDI, it is vitally important to preserve the close continuing interface between the analytic elements of DDI and those concerned with applying technology in the DDS&T. In the operation of technical collection systems the day-to-day understanding of the total intelligence process is crucial to maximizing the effectiveness of the large investments in technical collection systems. Also, the R&D program in analytic methodology being done for DDI requires the closest possible working level relationships between DDI and DDS&T, which would be made far more difficult by institutional separation.

3. In addition, there are other considerations that argue for the retention of DDO and DDI in the same agency with close coordination from the working level up the chain of command. They are:

a. Easy Availability of DDI Finished Intelligence to DDO Station Chiefs

In many countries of the Third World, the DDO Station Chief is dependent on a weekly intelligence summary from DDI in his effort to influence and win the cooperation of local liaison chiefs and high government officials. Due to close cooperation between DDO and DDI, these summaries are hand-tailored to fit particular needs. Again, institutional separation could only damage this type of cooperation.

b. Availability of Objective DDI Judgment on DDO Project Proposals in the Covert Action Field

One of the lessons of the Bay of Pigs was the need for

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factoring in a DDI assessment of the risks and advantages of covert action proposals before they are submitted to higher authority. Institutional separation could only have a negative impact on the mutual trust and tight security that this process requires.

c. Co-Location of DDO, DDI, DDS&T and DDA in the CIA Facilitates the Direction and Control of Complex Field Stations

For example, the direction of [redacted] Station by the COS would become an organizational nightmare, if the elements of these directorates in his station were reporting to and taking their orders from separate institutions with distinct chains of command. Conversely, the present arrangement facilitates the posting of DDI personnel overseas within field stations and there is nothing to prevent the expansion of this practice.

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d. The Protection of DDO Cover

The location of the DDO within the CIA together with the other directorates provides the only feasible and workable cover for the clandestine service that exists. The removal of any major element from the CIA can lead to increased exposure of clandestine service personnel in the Washington area, and there is no other workable cover arrangement that anyone has yet been able to propose.

No - 4. Against all these considerations that argue for the maintenance of the present structure of the Agency, there is only one argument that has been put forward for separating DDO and DDI. That is the proposition that by removing the DDI from its present institutional connection with DDO, the DDI would be distanced from the nasty business of espionage and covert action and would as a result be able to recruit better analysts at all levels and be able also to enjoy much wider and closer relations with the academic world. The evidence for this conclusion is not substantial. In spite of all the recent publicity, we continue to recruit highly competent analysts from the universities and there are many more qualified applicants than there are slots. In addition, our relations with the American academic world are extensive, fruitful and growing.

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John F. Blake

72-2167/5

1. As stated #2. it really
hasn't worked well in decades
2. DDI needs to rely on
NSA & NRO as much or more
than DDO; DIA/ISR need to
rely on DDO, to - I want to
promote these cross fertilizations.
In short ^{analysis} can't rely on DDO only
is too constructive - -

23 SEP 1977

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77-2167/4

Interface Between NIO/DDI and DDO

John F. Blake
Acting Deputy Director of
Central Intelligence

Att: ER 77-2167, -/3

21 September 1977

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Director of Central
Intelligence
7D 5607 Hqs

Sir:

The attached presents you with a coordinated reply to the "blind memorandum" (meaning it had neither an addressee nor a signature of author) on the subject of "An Order of Magnitude Improvement in Intelligence." I asked Cord Meyer to spearhead this activity for me and the document now presented to you has the agreement of Sayre Stevens, Paul Walsh, Les Dirks, Ted Shackley and

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"Can DDA be placed directly under the DCI, for instance, and provide all that support to everyone in the intelligence community who needs it."

We have discussed this issue before. I vote in opposition to the proposal because:

a. I believe the removal of DDA from the Agency would, in effect, disestablish the Agency. I do not believe a governmental entity which is statutorily created can exist without its own organic administrative responsibilities and authorities.

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b. I believe the magnitude of DDA some are communicators, would give an organizational distortion if affixed to the O/DCI. While the proposal is theoretically possible, I believe it to be highly impractical. Left where it is it can still render support to staff elements to O/DCI.

John F. Blake

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X

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77-2167/3

22 SEP 1977

MEMORANDUM FOR: Director of Central Intelligence

FROM : John F. Blake
Acting Deputy Director
of Central Intelligence

SUBJECT : Interface Between NIO/DDI and DDO

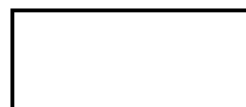
REFERENCE : DCI Memorandum of 24 August, subject: Structure
of the Intelligence Community

1. In response to your request in paragraph 2.h of referent memorandum, I would respectfully suggest that a great deal more is involved in any proposal "to split DDO and DDI" than the question of whether the employees of both directorates could continue to enjoy the same rights and benefits they currently are entitled to as employees of the CIA. Under the appropriate legislation, if Congress was willing to go along, we could undoubtedly provide for continuation of rights and benefits but the more fundamental question is whether it is to our advantage to place any more institutional distance between the two directorates than already exists.

2. For more than a decade, the top management of the Agency has been trying with some success to reduce the barriers to communication between DDI and DDO. We have tried to encourage a close relationship at the working level between the geographical branch chiefs in DDO and their counterpart analysts in DDI in the belief that both the finished intelligence product and the effective exploitation of agent sources will benefit as a result. Our reasons for doing so are as follows:

- a. Accurate Evaluation by Analysts of the Reliability and Access of Human Sources

Although DDI analysts cannot be given the identity of agents, close daily relationships between analysts and DDO



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branch chiefs and reports officers do give the analyst over time an accurate perception of the degree of confidence he can place in individual agents. This factor becomes of particular importance during times of approaching crisis when the analyst must sort through a welter of conflicting raw reports in the effort to predict the course of events. Only the closest possible interface between analyst and collector can reduce the danger of costly errors in the evaluation of clandestine reporting. Any institutional change that impairs this working level cooperation by physical separation or by requiring coordination through lengthy chains of command can only damage our ability to anticipate future crises.

b. Effective Exploitation of Agents

Once an agent has been recruited with access to significant intelligence, we have found that close coordination between DDO and DDI at the working level can improve the quality of the reporting and also help to confirm the degree of access claimed by the agent. Again, the analyst is not given the identity of the agent but he can and does suggest fruitful areas for additional interrogation and the research base available to the analyst tends to confirm or question the agent's reliability. Close interface at the working level is essential for this process to work effectively.

c. Improvement of DDO Reporting

We have found that when an agent is reporting on a complex economic or scientific topic, the text of the DDO report that is disseminated to the community can profit substantially from the input of DDI experts. Again, close working level cooperation is required to insure this result.

d. More Accurate Perception by DDO Branch Chiefs of Consumer Needs

Just as the DDI analyst must have continuing access to the policy making consumer in order to refine his product to fit the perceived needs, so the DDO reports officer must have from the DDI analyst a detailed and specific reflection of those needs in order to refine and make more specific the questions that are posed to the agent in the field by his case officer. Again, close interface and a minimum of institutional barriers are the solution to this problem.

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e. Contribution of DDO Station Chiefs to Finished Intelligence

On many occasions, the DDI has asked for the evaluation by Station Chiefs of political developments in their host countries, due to their intimate knowledge of the local scene. These assessments have significantly contributed to the finished intelligence product and are another example of the interaction between DDO and DDI that must be preserved. Similarly, DDO case officers who handle high level agents in foreign governments are relied upon by analysts for their detailed knowledge of the decision making process.

f. Need for Close Cooperation Between DDI and DDS&T

Since OWI and OSI have been transferred to DDI, it is vitally important to preserve the close continuing interface between the analytic elements of DDI and those concerned with applying technology in the DDS&T. In the operation of technical collection systems the day-to-day understanding of the total intelligence process is crucial to maximizing the effectiveness of the large investments in technical collection systems. Also, the R&D program in analytic methodology being done for DDI requires the closest possible working level relationships between DDI and DDS&T, which would be made far more difficult by institutional separation.

3. In addition, there are other considerations that argue for the retention of DDO and DDI in the same agency with close coordination from the working level up the chain of command. They are:

a. Easy Availability of DDI Finished Intelligence to DDO Station Chiefs

In many countries of the Third World, the DDO Station Chief is dependent on a weekly intelligence summary from DDI in his effort to influence and win the cooperation of local liaison chiefs and high government officials. Due to close cooperation between DDO and DDI, these summaries are hand-tailored to fit particular needs. Again, institutional separation could only damage this type of cooperation.

b. Availability of Objective DDI Judgment on DDO Project Proposals in the Covert Action Field

One of the lessons of the Bay of Pigs was the need for

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factoring in a DDI assessment of the risks and advantages of covert action proposals before they are submitted to higher authority. Institutional separation could only have a negative impact on the mutual trust and tight security that this process requires.

c. Co-Location of DDO, DDI, DDS&T and DDA in the CIA Facilitates the Direction and Control of Complex Field Stations

For example, the direction of [] Station by the COS would become an organizational nightmare, if the elements of these directorates in his station were reporting to and taking their orders from separate institutions with distinct chains of command. Conversely, the present arrangement facilitates the posting of DDI personnel overseas within field stations and there is nothing to prevent the expansion of this practice.

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d. The Protection of DDO Cover

The location of the DDO within the CIA together with the other directorates provides the only feasible and workable cover for the clandestine service that exists. The removal of any major element from the CIA can lead to increased exposure of clandestine service personnel in the Washington area, and there is no other workable cover arrangement that anyone has yet been able to propose.

4. Against all these considerations that argue for the maintenance of the present structure of the Agency, there is only one argument that has been put forward for separating DDO and DDI. That is the proposition that by removing the DDI from its present institutional connection with DDO, the DDI would be distanced from the nasty business of espionage and covert action and would as a result be able to recruit better analysts at all levels and be able also to enjoy much wider and closer relations with the academic world. The evidence for this conclusion is not substantial. In spite of all the recent publicity, we continue to recruit highly competent analysts from the universities and there are many more qualified applicants than there are slots. In addition, our relations with the American academic world are extensive, fruitful and growing.

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/s/John F. Blake

John F. Blake

SA/DDCI/CMeyer:as
21 September 1977

Distribution:

Orig. - Addressee

1 - ADDCI

1 - A/DDCI

1 - DDI

1 - DDS&T

1 - ADDO

1 - SA/DDCI

1 - ER

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USE ONLY☒ CONFIDENTIAL☐ SECRET

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Interface Between NIO/DDI and DDO

FROM: John F. Blake
Acting Deputy Director of
Central Intelligence

EXTENSION

NO.

Att: ER 77-2167

DATE

21 September 1977

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TO: (Officer designation, room number, and
building)

DATE

RECEIVED

FORWARDED

OFFICER'S
INITIALSCOMMENTS (Number each comment to show from whom
to whom. Draw a line across column after each comment.)1. Director of Central
Intelligence
7D 5607 Hqs9/21/77
23 SEP 1977

JF/ang

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